GL BAJAJ
Institute of Management & Research
Approved by A.I.C.T.E., Ministry of HRD, Govt. of India

Roll No…………

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) –201306

POST GRADUATE DIPLOMA IN MANAGEMENT (2020-22)
END TERM EXAMINATION (TERM -III)

Subject Name: **Corporate Finance**	Time: **02.30 hrs**
Sub. Code: **PG20**	Max Marks: **60**

Note:
1. All questions are compulsory. Section A carries 10 marks: 5 questions of 2 marks each, Section B carries 30 marks having 3 questions (with internal choice question in each) of 10 marks each and Section C carries 20 marks one Case Study having 2 questions of 10 marks each.

SECTION - A

Attempt all questions. All questions are compulsory. **2× 5 = 10 Marks**

Q. 1 (A): Explain two main functions of a finance manager.

Q. 1 (B): What is the difference between equity share and preference share?

Q. 1 (C): Explain the concept of share warrant

Q. 1 (D): Why we prefer wealth maximization approach in corporate finance?

Q. 1 (E): What is agency problem? **(CO1)**

SECTION - B

10 x 3 = 30 Marks

All questions are compulsory (Each question has an internal choice. Attempt any one (either A or B) from the internal choice)

Q. 2: A The following is the capital structure of a company:

Source of Finance	**Amount**	**Cost of Capital**
Preference Share Capital	100000	12%
Equity Share Capital	200000	20%
Debentures	100000	15%
Retained Earnings	100000	20%

Calculate the weighted average cost of capital
(CO 2)

Or

B. "100 Rs. Today has more value than 100 Rs. In future" Analyze this statement with example.
(CO 2)

Q. 3: A. A student gets an annual scholarship of Rs. 1,000 for 3 years (to be received at the end of year one, two and three). Interest rate is 10% p.a. What should be the value of scholarship at present? Should he take another option of scholarship of Rs. 2,800 to be received today? **(CO3)**

Or

B. A company has to make a choice between two projects namely X and Y. The initial capital outlays of two projects are Rs. 2,00,000 and Rs. 1,50,000 respectively for X and Y. The expected rate of return from these projects is 10%. The annual cash inflows are as under:

Year	Project X	Project Y
1	70000	50,000
2	60,000	30,000
3	50,000	80,000
4	60,000	50,000

Evaluate the financial viability of both the projects as per NPV technique of Capital Budgeting and suggest which project should be selected?

Given:

Years	1	2	3	4
Discounting Factor at 10%	.909	.826	.751	.683

(CO3)

Q. 4: A. "Capital structure decision has the impact on firm's valuation" Do you agree with this statement? Give appropriate reasons of your answer. **(CO4)**

Or

B. A firm has to choose between two capital structures: either ordinary share capital Rs 10 crore (Rs 100 per share) or 15% debentures of Rs 5 crore and ordinary share capital of Rs 5 crore. Assume the corporate tax rate is 40%. Calculate EBIT at which the plans give the same EPS. **(CO4)**

SECTION - C

Read the case and answer the questions **10×02 = 20 Marks**

Q. 5: A firm has a budget ceiling of Rs 100000 for capital expenditures. The following proposals with associated profitability index and IRR have been identified.

Proposals	Cash Outlay in Rs	Profitability Index	Internal Rate of Return(%)
A	100000	1.22	15
B	50000	1.17	14
C	40000	1.46	20
D	30000	1.72	25
E	20000	1.13	13
F	10000	1.04	11

Questions:

Q. 5 (A). Which Projects should be undertaken?

Q. 5 (B). Which method would you prefer in making your recommendations and why?

Mapping of Questions with Course Learning Outcome

Question Number	**COs**	**Marks Allocated**
Q. 1:	**CO1**	**10 marks**
Q. 2:	**CO2**	**10 marks**
Q. 3:	**CO3**	**10 marks**
Q. 4:	**CO4**	**10 marks**
Q. 5:	**CO3**	**20 marks**